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A Professional Services Profile of ICL Plc

Despite its European ambitions, the majority of ICL's revenues continue to come from the U.K. where the bulk of its service development activity is taking place. Total European service revenues in 1991 were almost $1.3 billion, of which $790 million came from hardware maintenance.

Positioning

ICL (U.K.) claims to be the U.K.'s largest IT services provider, with service revenues in 1991 estimated at $765 million. Of this, $430 million come from hardware maintenance, leaving a balance of $335 million for professional services. There are two principal outlets for these services:

- Customer Service Division (CSD)
- Associated Services Division (ASD)

However, the industry-related sales and marketing divisions also provide software development and support services, for example, in vertical market sectors. ICL (U.K.) also has separate subsidiaries, providing facilities management (CFM) and disaster recovery services (Guardian). Sorbus Europe, ICL's 51% owned 'joint venture' with Bell Atlantic in multi-vendor maintenance, reports to ICL at board level, but with direct links with ICL Customer Service at the operating country level.

Exhibit 1 outlines ICL's Market Strategy for the U.K.

Cross-industry services include business consultancy, process engineering, design, development, implementation, support and operations, with Associated Services Division largely active 'upstream' of implementation. Exhibit 2 summarises the main activities of ASD. Customer Service Division is active in both implementation and support, and CFM and Guardian in operations.

ICL's Customer Service Division defines its professional services as 'non-remedial' services that support a customer in developing, operating/managing, improving the productivity of, and migrating to and from information systems.

By contrast with ASD, which claims that its services are not hardware-vendor oriented, CSD positions its services relative to specific hardware and software platforms such as VME and UNIX, and up to the generic application level. It does not address customer specific applications. CSD, like Bull and an increasing number of other systems vendors, positions its services relative to the systems lifecycle through embracing consulting, design, implementation and maintenance.

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Exhibit 1

ICL (U.K.) Market Strategy

To supply:		
Commodity Products	Industry Solutions	Cross Industry Services
Delivered through:		
Technology plc	Industry Divisions	ASD, CSD, CFM Guardian

Source: INPUT

Exhibit 2

Associated Services Division Activities

Consultancy and Technical Services	- Consultancy (technical and IT exploitation)
	- Project services
	- Network services
	- CPS (remote development and documentation)
Peritas Limited	- Education and training
Workplace Technology Limited	- Environmental services
ICL Secure Systems	- Systems integration and secure UNIX
CHOTS Project	- Government project
Far East Operations	- Airline systems
LITS Project	- Logistics (bid stage)
Business Operations	- Service activity start-ups

Source: INPUT

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Within Europe professional services activities are principally focused on consulting and systems integration (SI). There is a separately identified service entity, ICL Europe Services.

Future Directions

ICL's future strategy is to firmly position itself as a major force in the European Software and Services market. In its own words, it is aiming to become one of the top five vendors in this market. As a member of the Fujitsu 'family' of companies, ICL is working to implement the Fujitsu policy, which is to benefit from the globalisation of today's markets. In the first instance, however, ICL is concentrating on increasing its penetration of the European market.

To further its objectives, ICL is pursuing a two-pronged strategy:

- Use services to draw in equipment sales
- Use equipment sales to draw in services

This approach is based on spanning the service and technology spectrum by setting up, acquiring, or spinning off service activities based on quasi-autonomous limited companies, which can acquire and/or partner in their turn. These units are expected to report in to ICL on a board to shareholder basis. Their services portfolios are targeted at ICL and non-ICL users.

Extensive market research has been conducted by ASD and CSD to establish market needs by service area, vertical sector and platform. Acknowledging that hardware maintenance revenues are now in decline, CSD particularly seeks to provide full support at user level, including generic and customer specific applications, for the PC and UNIX environments. It also promotes the concept of providing a Total Managed Service within multi-vendor environments by drawing in experience elsewhere in ICL and from Sorbus.

Its research has, however, also shown that customers like to be able to buy professional services on an 'as and when' basis, and that it is necessary to provide unbundled component level services as well as service and systems management packages.

A key element in ICL's Open Systems strategy is the concept of Open Services, i.e. services that can be applied across multi-vendor networks and can be specific to one or more proprietary components of an open network, while at the same time enhancing the 'openness' of the overall solution. The concept extends to the design and construction—within the framework of an Open Services Architecture—of a renewable and updateable portfolio of services that can provide service across a heterogeneous network of systems in a building block fashion.

In this way, ICL hopes and plans to extend its services user base away from its own hardware sites and into the sites largely 'owned' by its competitors. The building block method implies that the productising of individual services will be seen as building block modules. These modules may be specific to one or more platforms (hardware or software) and may be integrated using the standard interface of the architecture to provide seamless service in heterogeneous network situations. ICL would not claim to have achieved this objective yet, but it has clearly identified this set of goals to itself and has put in place an ongoing development programme that will bring all the service products for its target market sectors on-stream in a timely manner.

As with a number of other customer service organisations interviewed, CSD is investing in technologies that will allow it to provide a greater range of remote support services. It is also willing to act as a services broker, pulling in services from outside the ICL group, if this is the best way to meet customer need.

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Strengths and Weaknesses

ICL perceives that its key strengths are the breadth and longevity of its service offerings, which have given it a substantial track record and strong skills base across the service spectrum. Its knowledge of and commitment to open and networked systems, and particularly UNIX, is seen as key to its future growth out of its own proprietary base because each new UNIX shipment is an opportunity to extend its service as well as its equipment sales.

Its principal difficulty is perceived to be changing its image from that of a vendor of equipment, to that of a solutions and services supplier. It was this difficulty (which it shares with the other systems vendors) that brought about the demise of IT Partners: its foray into business consulting. Again, like other equipment vendors, ICL still feels exposed to competition in this area. ICL also acknowledges that it will need to work on getting its sales channels for services right, and on obtaining the right delivery skills mix as it moves into the non-ICL marketplace.

Professional Services Provided

Through its various service delivery mechanisms, ICL provides a full range of services including:

- Consultancy (largely technical but including quality and change management)
- Network and Computer Operations
- Systems Software Services
- Configuration and Capacity Planning
- Network Design and Management
- Software Development
- Resourcing Services (including the outsourcing of recruitment and personnel activities)
- Education and Training
- Contingency Planning and Disaster Recovery services
- Environmental Services (including both design and Health and Safety activities)
- Systems Integration (at both the technical integration and systems integration levels)
- Documentation
- Multi-Media Services

The service delivery structure for ASD was given in Exhibit 1. That for CSD is as shown in Exhibit 3.

By adopting a matrix approach—in which any service can be marketed for any platform—CSD is able to promote specific packages of services for different environments; for example, CAREWARE services for PC's, Networking Services, OFFICEPOWER services, UNIX Server services, INGRES services, Total Managed Service etc.

Pricing

Services, such as training and some aspects of systems maintenance, are priced on a module basis. Fixed price per assignment is becoming the preferred form of pricing, with the emphasis on added value in delivering a pre-agreed result. Discounting is used on a volume basis, and some services may be discounted if sold on the back of others within service packages.

Organisation

As this profile shows, there is no single distinct professional services unit within ICL, although it is planned to give the professional services provided within CSD a more distinct identity.

At present, service sales are channeled through the principal vertically-oriented sales organisations, with individual account

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Exhibit 3

Customer Service Division
Professional Service Matrix

Platform	Services
VME	Start-up
UNIX	Remote support
DOS	Software:
Networks	• install
Office systems	• upgrade
Relational products	• update
Teamware	• support
Security	• develop
Open Foundation Architecture	Systems:
Integration	• review
Health and safety	• tuning
	• administration
	• design
	• planning
	• migration
	• transition
	Help-desks
	Documentation
	Project management
	Workshops

Source: INPUT

managers responsible for scoping and resourcing the service needs of their customers. It is acknowledged that issues such as targeting and rewarding must be addressed if the traditional bias toward systems sales is to be corrected. CSD also work through the Account Support Managers, who map on to the account sales teams on a post-sales basis.

There are plans to identify distinct service sales specialists within CSD, and the various businesses within ASD, to work with and

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independently of the main sales channel; particularly on winning business outside the ICL base.

There is a service marketing function within CSD and marketing activity within each of the main businesses of ASD. CSD is currently running a major services campaign based on the systems lifecycle concept and the grouping of services by technology platform.

Resourcing

Partnering and acquisition are the principal mechanisms being used by ASD and CSD to extend their service skills. CSD, for example, has a Preferred Service Partners programme, and also runs a service accreditation scheme for external suppliers.

Training is being used to promote the services message internally, to provide new skills, and to address some of the cultural issues faced by ICL. Recruitment and sub-contracting are used as appropriate to resource specific skills.

Competitive Positioning

ICL sees its growth in services coming as much from the outsourcing of activities previously done in-house, as from taking market share from competitors. It acknowledges, however, that its principal direct competition is likely to come from systems houses and professional-service companies. Other hardware vendors are not perceived as major competitors, and dealers and distributors are seen as potential partners. Low-level attrition from a range of small, niche companies is recognised.

Competitive differentiation is based upon ICL's clear understanding of relevant technologies such as the UNIX and PC environments, the breadth of its service offering lending 'strength in diversity', and its ability to integrate its different service streams within a single customer environment (as in the CHOTS project). Its 'arms-length' approach to its service businesses is also seen as giving these different units greater flexibility in responding to changing market conditions.

ICL's View on the Marketplace

ICL sees its principal service opportunities as being in the areas of systems integration and management, secure systems, services related to optimising systems performance and environmental services. For ICL, its focus upon open environments has increased its competitiveness, and UNIX is the area that is now providing the engine for revenue growth. It therefore sees the increased penetration of open and networked systems as a major opportunity by creating demand for new, and more integrated, services, and by providing the means by which greater service productivity, using remote techniques, can be delivered. Its Open Framework Services group within Product Operations is working with CSD and Sorbus in this area.

Other technology developments seen as impacting ICL's future business are client/server computing, improved storage and chip technologies, and developments in CASE and Artificial Intelligence.

INPUT's Assessment

ICL has decided to tackle the impasse on how to break out of its own user base by adopting an aggressive acquisition and partnering strategy based upon Open Systems and Open Services. It is spending a great deal of time and effort positioning itself as a services supplier. By trading under a variety of non-ICL company names (Technology plc, Peritas, CFM, Guardian, Workplace Technology, Sorbus, etc.) ICL is seeking to weaken the link in the mind of the market-place with its systems supply activities.

The dilemma ICL faces is that its own sales channels and many of its existing workforce are finding it hard to keep pace with the rate of transition. Opening up a lot of new sales

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channels enlarges the market opportunity, but is likely to create confusion in its corporate customer and prospect base. Branding services and segmenting their supply makes it easier for sales personnel and customers to find their way around the services portfolio, yet makes the process of service integration that much harder.

At a tactical level, service integration becomes harder still because the need to meet revenue targets makes competition among service activities as likely as cooperation, and issues such as inter-company trading are barriers to co-working.

However, ICL's stance, unlike that of a number of vendors, is offensive rather than defensive, and its commitment to open systems and the concept of open support is not an add-on. If it can get the sales and delivery mechanisms as clear as the concept, ICL could outperform the rest of its competitors, as it has already done in terms of profitability during the past decade.

Company Details

ICL is registered in the United Kingdom (U.K.) as a public limited company (plc). Its headquarters are in Putney, south-west London.

ICL employs some 21,000 employees and operates in over 70 countries worldwide.

Eighty percent owned by Fujitsu, the Japanese electronics giant that is second only to IBM by size of revenues obtained in the world wide IT market, ICL specialises in the provision of integrated business solutions to meet the information technology needs of specific vertical markets, principally:

- Retailing
- Manufacturing
- Financial services
- Public administration

ICL's corporate objectives are to increase turnover and market share, principally within Europe, through a policy of acquisitions, mergers and joint ventures. Outside Europe, local ICL operations are increasingly being merged with those of Fujitsu under the Fujitsu banner.

ICL is strongly committed to open systems and particularly open systems networking. In the forefront of OSI from its inception, ICL was instrumental in the establishment of UNIX International and X/Open, and has participated enthusiastically in standards setting activities.

This Research Bulletin is an excerpt from a full research report issued as part of INPUT's Customer Services Programme—Europe. If you have questions or comments on this bulletin or wish to purchase the report, please contact Peter Lines at INPUT, 17 Hill Street, London W1X 7FB, England.
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